

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN INVESTIGATION INTO THE)	ADMINISTRATIVE
SEPARATION OF BILLS)	CASE NO. 286
RENDERED BY COMBINED UTILITIES)	

O R D E R

On December 28, 1984, the Commission initiated this proceeding to determine whether combined utilities should be required to separate customer bills between services. As a consequence of separating the bill, customers of a combined utility would have an opportunity to pay for and retain one of the services, just as do customers in areas of the Commonwealth which are not served by combined utilities.

On February 15, 1985, the scope of this proceeding was narrowed to address the issue of whether gas and electric bills should be separated upon an individual customer's request. Thus, Louisville Gas and Electric Company ("LG&E") and The Union Light, Heat and Power Company ("ULH&P"), the only combined gas and electric utilities in Kentucky, were ordered to file comments by March 1, 1985. Other parties were permitted to file responsive comments by March 15, 1985. On April 3, 1985, the Commission held a hearing. Further comments were allowed to be filed through April 19, 1985.

DISCUSSION

Having narrowed the issue, all of the parties expressed support for, or no exception to, allowing residential customers threatened with disconnection, or already disconnected, and served by combined utilities to obtain a separate gas and electric bill upon request, except LG&E.

LG&E opposed separation of bills, even when subject to the above-stated conditions, because to do so would lessen LG&E's ability to use the threat of disconnection to enforce payment of customer bills. LG&E also took the position that additional uncollectible accounts would result from the separation of bills.

The Office of Kentucky Legal Services Programs, Inc., and Northern Kentucky Legal Aid Society, Inc., ("Legal Services") challenged LG&E's cost/benefit analysis of the separation proposal. Legal Services took the position that customers who simply intended to avoid paying their bills were not addressed by the separation proposal. Legal Services asserted that by allowing the separation of a bill and continuation of electric or gas service, a utility's revenues would be increased, since that portion of the combined bill would have to be paid and the utility would also gain revenue from continued sales of the retained service that would otherwise be lost. Thus, Legal Services reasoned that benefits from the proposal outweighed any associated costs of offering the opportunity for separating a combined bill.

The Commission views the proposed separation of a residential customer's gas and electric bill, subject to certain conditions,

as reasonable when analyzed on a cost/benefit basis. Separation of bills is likewise justified on grounds of fairness and equity since in instances where separation is not available severe hardship, that could possibly be avoided, has occurred. Several witnesses at the April 3, 1985, hearing related instances of personal hardship they experienced. Ms. Jo B. Marlow testified that her family had to be separated when she lost both her gas and electric service, although she had sufficient funds to stay current on her electric bill.¹ Ms. Marlow later moved back into the home without utility service until juvenile authorities indicated she could no longer live there with her children.² Eventually, Ms. Marlow lost her house by foreclosure while paying rent on an apartment and trying to also make her mortgage payments.³ Another utility customer, Ms. Anita Estes, testified that having lost both gas and electric service she had extreme difficulty keeping food and milk for her children and keeping her children cool, without electricity.⁴ Ms. Estes testified that she offered to pay for her electric bill so as to retain that service, but was refused by the utility company.⁵ Considering these circumstances, any costs imposed on the rest

¹ Transcript of Evidence dated April 3, 1985, at pgs. 12-13.

² Transcript of Evidence dated April 3, 1985, at p. 15.

³ Transcript of Evidence dated April 3, 1985, at p. 16.

⁴ Transcript of Evidence dated April 3, 1985, at pgs. 80-81.

⁵ Transcript of Evidence dated April 3, 1985, at p. 81.

of the ratepayer body resulting from separation of a customer's bill appear minimal.

Separation of a combined bill should only be available when the following conditions are met: 1) a residential customer requests separation of his bill; 2) that customer is being threatened with disconnection for nonpayment or has already been disconnected for that reason; and 3) the customer would be able to pay either the gas or electric portion of his bill and thus retain one service. Under these conditions, the costs of separating a customer's bill should be minimal, especially when compared with the benefits of retaining revenues from the customer for the remaining service. There is even a possibility that bills that are otherwise potentially uncollectible may decline.

Because the Commission has already determined to require separation of combined gas and electric bills on the basis of the public interest and cost/benefit grounds previously discussed, the Commission need not reach the legal issue of whether separation of bills is discriminatory in violation of KRS 278.160 (2) or other constitutional issues raised by the parties.

Having considered the evidence of record and being advised, the Commission hereby FINDS that:

1. Separation of bills should be available upon a residential customer's request, subject to the conditions discussed above.

2. Customers obtaining a separation of their bills should continue to be entitled to all rights provided for in the Commis-

sion's regulations, including partial payment plans, on the retained service.

3. LG&E and ULH&P should file tariffs, consistent with the decisions made herein, permitting the separation of a combined bill within 20 days from the date of this Order.

IT IS THEREFORE ORDERED that LG&E and ULH&P shall separate a residential customer's gas and electric bill, upon request, subject to the conditions discussed herein.

IT IS FURTHER ORDERED that LG&E and ULH&P shall file a tariff, consistent with the decisions made herein, permitting the separation of a combined bill within 20 days from the date of this Order.

Done at Frankfort, Kentucky, this 12th day of July, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Deman
Chairman

Robert L. [Signature]
Vice Chairman

For Shuck
Commissioner

ATTEST:

Secretary